

Message Text

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ACTION NEA-10

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 3840

INFO USDOC WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

USINT BAGHDAD

LIMITED OFFICIAL USE KUWAIT 4196

E.O. 11652: N/A

TAGS: ENRG KU

SUBJECT: MAJOR GAS PROJECT CONTRACT AWARDS EXPECTED SOON

REF: (A) KUWAIT 1966 (B) KUWAIT 1842 AND PREVIOUS

1. WE HAVE LEARNED FROM RELIABLE NON-GOVERNMENTAL SOURCE HERE THAT CONTRACTS WORTH SEVERAL HUNDRED MILLION DOLLARS IN CONNECTION WITH KUWAIT GAS UTILIZATION PROJECT (KGUP) WILL PROBABLY BE ANNOUNCED SOON. ACCORDING TO SOURCE BIDS ON GATHERING, PROCESSING, AND PIPELINE PORTIONS OF THE PROJECT FROM ALL FIRMS NAMED IN REFTELS WERE RECEIVED AS OF SEPTEMBER 30. KUWAITI OFFICIALS WORKING ON THE KGUP HAVE JUST RETURNED FROM TRIPS TO U.S. AND U.K. WHERE THEY DISCUSSED BID PROPOSALS WITH FIRMS INVOLVED. SOURCE SAYS THAT DECISION ON THE GATHERING AND PROCESSING TENDERS (NOS. 4, 5, 6 AND NOS. 10, 11 RESPECTIVELY) SHOULD BE MADE AND ANNOUNCED PUBLICLY WITHIN THE NEXT TWO LIMITED OFFICIAL USE

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WEEKS. DECISION ON PIPELINE PORTION OF PROJECT SHOULD BE

MADE A LITTLE LATER.

2. ON PROCESSING PLANT PORTION OF THE PROJECT (INVOLVING A SHUAIBA-BASED LIQUIFICATION PLANT AND A KNPC-OPERATED SOUR GAS TREATMENT FACILITY), SOURCE SAID THAT EITHER FISH ENGINEERING OR KELLOG WOULD BE SELECTED. SOURCE (AS WELL AS OTHERS) NOTED THAT FLUOR WAS DEFINITELY OUT OF RUNNING, COMMENTING THAT ITS BID INDICATED THAT COMPANY NOT REALLY SERIOUS IN PARTICIPATING. SOURCE ALSO COMMENTED ON KELLOG BID, NOTING THAT COMPANY "TOOK A DIVE", I.E., SUBMITTED A PROPOSAL WAY BELOW WHAT SOURCE FELT WAS THE NECESSARY MINIMUM. APPARENTLY STONE AND WEBSTER ALSO NO LONGER COMPETITIVE.

3. ON GATHERING FACILITIES TENDER (INVOLVING THE ESTABLISHMENT OF THREE BOOSTER STATIONS AND ANCILLIARY WORKS), SOURCE SAID THAT COMPETITION WAS NOW BETWEEN IHI, A JAPANESE FIRM, AND PROCON. ON THE PIPELINE PORTION (TENDER NOS. 7, 8 AND 9), SOURCE NOTED THAT SANTE FE/CONCO (A U.S.-LEBANESE PARTNERSHIP) HAD SUBMITTED A BID, BUT THAT KUWAIT METAL PIPES INDUSTRIES (KMPI) HAD "GONE TO THE TOP" IN ORDER TO GET ITS BID CONSIDERED. IN FACT, ACCORDING TO SOURCE, IT HAD BEEN ABLE THEREBY TO OBTAIN A DELAY IN THE TENDERING DEADLINE IN ORDER TO PREPARE AND SUBMIT ITS OWN PROPOSAL. ON THIS BASIS, SOURCE FELT, KMPI HAD THE BEST CHANCE OF SECURING THE CONTRACT.

4. EMBASSY HAS ALSO LEARNED FROM PRESS REPORTS THAT ONLY FOUR COMPANIES ARE CURRENTLY BEING CONSIDERED FOR THE PIPELINE TENDER, AND THAT TWO OF ORIGINAL SIX (FIVE FIRMS REPORTED PL REFTELS, PLUS KMPI) HAD DROPPED OUT. SINCE SANTA FE AND KMPI ARE STILL BEING CONSIDERED, THIS MEANS THAT TWO OF FOLLOWING FIRMS HAVE DROPPED OUT: SAIPAN (ITAL.); SEDCO (US.S); MONTUBI (ITAL.) OR SUDROHRBAU (FRG).

5. COMMENT: EMBASSY HAS REPORTED IN REFTELS NAMES OF FIRMS QUALIFIED TO BID ON EACH OF THREE TENDERS INTO WHICH PROJECT HAS BEEN DIVIDED. IT SHOULD BE NOTED, HOWEVER, THAT KMPI NOT ON ORIGINAL LIST, BUT GOT ON APPARENTLY BECAUSE OF POLITICAL CLOUT. WE HAVE BEEN IN CONTACT WITH SENIOR OFFICIAL WORKING FOR THE MINISTRY OF OIL ON THE KGUP AND HAD BEEN LIMITED OFFICIAL USE

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INFORMED THAT KMPI HAD BEEN ABLE TO DELAY BY A MONTH THE DEADLINE FOR THE PIPELINE TENDER. MOO SOURCE SAID KUWAIT CONCERN WAS NOT RPT NOT QUALIFIED TO UNDERTAKE THE JOB AND THAT IT ALMOST CERTAINLY WOULD NOT BE SELECTED. THUS, PIPELINE PICTURE IS CONFUSED, AND IT MAY HAVE CAUSED SOME DELAYS IN ANNOUNCING CONTRACT AWARDS. NEVERTHELESS, ALL REMAINING CONTRACT AWARDS SHOULD BE ANNOUNCED SOON.
STOLTZFUS

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